Agriculture, Food and Rural Development

BUSINESS PLAN 2004-07

ACCOUNTABILITY STATEMENT

The Business Plan for the three years commencing April 1, 2004 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of February 27, 2004 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this Business Plan.

[original signed]

Shirley McClellan, *Minister of Agriculture, Food and Rural Development*
March 4, 2004

THE MINISTRY

The Ministry is comprised of the Department of Agriculture, Food and Rural Development (AFRD); Agriculture Financial Services Corporation (AFSC); Farmers' Advocate; Irrigation Council; Agricultural Products Marketing Council; and Alberta Grain Commission.

104-05340/

LINK TO THE GOVERNMENT BUSINESS PLAN

The Ministry contributes to the government's three core businesses: People, Prosperity and Preservation and the following seven government goals: 6, 7, 8, 9, 10, 11 and 12. Our primary focus is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

VISION

Prosperous, sustainable Alberta farms, processors, agricultural businesses and rural communities.

MISSION

"To enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services."

CORE BUSINESSES

Core Business 1: Facilitate Sustainable Industry Growth
- Goal 1 - Sustainable growth of the agriculture and food industry
- Goal 2 - Continued excellence in food safety

Core Business 2: Enhance Rural Sustainability
- Goal 3 - Improved environmental stewardship
- Goal 4 - Strengthened rural communities

Core Business 3: Strengthen Business Risk Management
- Goal 5 - Effective business risk management programming

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

The agriculture industry has suffered successive years of low moisture culminating, in 2002, in the worst drought in recorded history. Additionally, the global reaction to a single confirmed instance of Bovine Spongiform Encephalopathy (BSE) in Alberta and another instance of BSE linked to Alberta has created significant challenges for our industry. The Ministry will continue to partner with industry and other governments as we support the industry to recover from the longer-term impacts of these events. It is expected that these events will result in revisions to Ministry programming in 2004 and in future years.

Federal, provincial and territorial ministers of agriculture have negotiated the implementation of an "Agricultural Policy Framework". This five-year agreement will continue to impact the strategic direction in this and future plans. The objectives of the five chapters of the Agricultural Policy Framework are linked to the goals in this plan.

Strategies for rural development, growth and research and development are at various stages of development and implementation. These initiatives will continue to impact the future direction of the department and its programming in 2004 and beyond.

Current conditions in the agriculture and food industry clearly demonstrate the susceptibility to inherent risks such as poor weather, declines in global commodity prices, and changes in the overall economy. While the Ministry's strategic direction is outlined, it is acknowledged that from year to year, changes must be made to accommodate specific developments.

The Agriculture Growth Strategy has been developed to support growth throughout Alberta. To ensure rural Albertans will benefit from the Agriculture Growth Strategy, consideration will need to be given to targeting specific initiatives for implementation not only along the Calgary-Edmonton corridor, but in other areas of the province.

The creation of the Institute of Food and Agricultural Sciences, Alberta (IFASA) will help to reinforce Alberta's commitment to research and development. The IFASA is the result of a Memorandum of Understanding (MOU) among the Alberta Research Council, the University of Alberta and AFRD. The IFASA may enable internationally recognized, multidisciplinary research programs, which have critical mass, to be built. The MOU is also expected to help strengthen Alberta's applied research and technology commercialization capacity.

STRATEGIC PRIORITIES 2004-07

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

1. The Agriculture Growth Strategy

Linkage: Goals 1 and 4

The industry opportunity to sustainably grow primary agricultural production to $10 billion and value-added industry to $20 billion by 2010 will be achieved through the implementation of the growth strategy by industry. The Ministry will need to work in partnership with industry to clearly articulate outcomes in both qualitative and quantitative terms to facilitate achievement. This target will require ongoing monitoring and will impact Ministry programming in 2004 and beyond.

2. The Rural Development Strategy

Linkage: Goal 4

The Rural Development Strategy is under development. Future direction from government and ongoing consultation with stakeholders will determine how the Ministry will continue to work in partnership with other ministries and rural communities to implement the strategy.

3. The Agricultural Policy Framework

Linkage: All Goals

Federal, provincial and territorial ministers of agriculture have agreed to a new Agricultural Policy Framework that will help the agriculture industry position itself for the future. The framework is a comprehensive, integrated five-year strategy that encompasses five key elements: business risk management; food safety; environment; renewal and science and innovation. It impacts each of the core businesses of the Ministry and the supporting five goals. Development of federal-provincial bilateral agreements continues. The framework and related initiatives will be considered in establishing the strategic direction of future plans.

4. The Research and Innovation Strategy

Linkage: Goals 1, 2, 3 and 4

Longer term achievement of the Ministry's vision and mission will be dependent on industry's ability to support strategically targeted research in the agriculture and food industry. The Ministry will focus efforts on the implementation of the research strategy in partnership with industry and Alberta Innovation and Science.

5. Water for Life: Alberta's Strategy for Sustainability

Linkage: Goals 1, 3 , 4 and 5

Water for Life: Alberta's Strategy for Sustainability is a comprehensive, 10-year strategy for water and watershed management in the province. Implementing the Water for Life strategy is a key strategic priority of the 2004-07 business plan. Agriculture, Food and Rural Development, along with a number of other ministries, is working collaboratively to ensure the outcomes of the strategy - safe, secure drinking water; healthy aquatic ecosystems; and reliable, quality water supplies for a sustainable economy - are achieved.

6. Corporate Initiatives

Linkage: All Goals

The strategic direction of AFRD is supported by a number of service functions. These areas (including Finance, Human Resources, Information Technology, Knowledge Management, Project Management, Communications, Agriculture Information, and Business Planning) cross the five goals, and are integral to the efficient and effective delivery of Ministry programming. Key client delivery initiatives, such as the Alberta Ag-Info Call Center and Ropin' the Web, help to ensure our clients have access to professionally prepared and presented information.

CORE BUSINESSES, GOALS, STRATEGIES AND MEASURES

Core Business One: Facilitate Sustainable Industry Growth

GOAL ONE

Sustainable growth of the agriculture and food industry

What it means

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors.

It is the role of the Ministry to work to enhance market access (e.g., animal and plant disease) for agriculture and food industry products and to improve agriculture and food industry business services. These services include access to capital, risk management tools, business and entrepreneurial processes and enhanced infrastructure.

To achieve this goal, the Ministry will incorporate the objectives of the Agriculture Growth Strategy, Securing Tomorrow's Prosperity (the value-added strategy), the Research and Innovation Strategic Framework and the Rural Development Strategy (Economic Development Strategy) into the appropriate division operating plans.

Strategies

- Encourage market access, market responsiveness, diversity and industry competitiveness through the provision of information, technology and targeted research.
- Enhance efficiencies in production and processing through the delivery of business and technical information and services.
- Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation, lending products and providing risk management* tools and training.
- Enhance the development of new products and processes to assist industry in capturing additional value added market opportunities.
- Develop and administer essential policy, legislation and regulation.
- Advocate policies and programs that facilitate market access, human resource development and industry competitiveness.
- Work with partners to ensure that appropriate infrastructure is in place.

* For business risk management detail, reference Core Business 3.

Performance Measures	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Number of value added products developed through the Processing Development Division and successfully introduced to market.	110	110	120	120
Examples of research funded by the Ministry that have contributed to competitiveness and growth.	n/a	Examples to be provided	Examples to be provided	Examples to be provided

Performance Measures (continued)	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Industry competitiveness enhanced through new, or changes to existing, public and private sector policies and programs.	n/a	Examples to be provided	Examples to be provided	Examples to be provided
Agri-business investment supported by AFSC lending services.	$61.7 million	$57.9 million	$60.8 million	$63.8 million
Amount of Beginning Farmer Loans.	$88.8 million	$140 million	$145 million	$145 million

GOAL TWO

Continued excellence in food safety

What it means

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international.

The Ministry contributes to this goal by promoting implementation of food safety process control systems throughout the food production continuum, through development and administration of essential food safety legislation, regulations and policy and through food safety surveillance systems that ensure consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework food safety and food quality chapter.

Strategies

- Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.
- Develop, implement and maintain a food safety surveillance system that validates the safety of Alberta's agriculture and food products.
- Develop and administer essential policy, legislation and regulation.
- Develop and transfer knowledge and technology in support of safe food production and processing.
- Provide information, training and other programs that enhance food safety awareness and emergency response.
- Participate, as appropriate, in national traceability initiatives.

Performance Measures	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.	8	8	10	10
Percent of Alberta production from Alberta chicken farms, hog farms, and beef feedlots produced under nationally recognized on-farm food safety programs*.				
• chicken farms	0%	90%	90%	90%
• hog farms	0%	90%	90%	90%
• beef feedlots	0%	0%	50%	60%

Performance Measures (continued)	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Percent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems				
• meat (Hazard Analysis Critical Control Point (HACCP-based))	0%	6%	20%	20%
• dairy (HACCP prerequisites)	0%	70%	70%	70%

* The details of the national system for recognizing the completed implementation of on-farm food safety programs are being finalized. Provincial commodity groups have begun program implementation, however, completed implementation will not be recognized until the national recognition system is implemented. The dramatic increase from actual to target reflects the anticipated percentage of production under on-farm food safety programs in place when the recognition system is implemented. Variances in commodity targets reflect the different stages of implementation of on-farm food safety programs in each of these industries.

Core Business Two: Enhance Rural Sustainability

GOAL THREE

Improved environmental stewardship

What it means

This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well-being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

To achieve this goal the Ministry will incorporate the objectives of the Environment Chapter of the Agricultural Policy Framework, Water for Life: Alberta's Strategy for Sustainability, the Agriculture Growth Strategy, the Rural Development Strategy and the agricultural components of the provincial Climate Change Strategy into appropriate divisional operational plans.

Strategies

- Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.
- Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.
- In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.
- Monitor the effect of the agricultural production and processing industry on soil and water quality.

Performance Measures	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Percentage of respondents who have adopted improved practices as a result of ministry-supported stewardship training (formal evaluation every three years).	63%	68%	68%	68%
Number of producers provided with training and technical support to enable development of environmental farm plans.	n/a	1,500	2,000	2,500

Performance Measures (continued)	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Representative examples of results from Ministry, and Ministry-funded research that are environmentally related will be reported in the Ministry's Annual Report.	n/a	Examples to be provided	Examples to be provided	Examples to be provided

GOAL FOUR

Strengthened rural communities

What it means

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development.

The Ministry has a lead role in coordinating rural development initiatives, under the Economic Development Strategy. Implementing the Rural Development Strategy will facilitate cooperative efforts to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Strategies*

- Provide leadership development for youth and people actively engaged in agriculture and community organizations.
- Facilitate the development of sustainable communities, organizations and agricultural and rural businesses that are networked, flexible, adaptable and manage change pro-actively and positively.
- Co-ordinate a multi-ministry approach to rural development.

* Many of the strategies of this Ministry included under other goals also contribute to "Strengthened Rural Communities".

Performance Measures	Last Actual	Target 2004-05	Target 2005-06	Target 2006-07
Number of rural businesses assisted.	302	315	331	347
Investment in rural business.	$100.3 mil	$90.5 mil	$95.0 mil	$99.8 mil
Percentage of ministry supported, agricultural-related community activities that focus on community improvements and leadership development.	32%	33%	34%	35%
Percent change in total employment in rural Alberta.	-0.4%	0	1.0%	1.5%
Percentage of rural youth participating in Ministry-supported programs that report effective learning from those programs.	91.7%	92%	92.3%	92.5%

Core Business Three: Strengthen Business Risk Management

GOAL FIVE

Effective business risk management programming

What it means

This goal recognizes the need for greater stability in an industry significantly affected by unforeseen weather disasters, disease and global market influences. Increased stability coupled with targeted business management information and training allows farmers to concentrate their management efforts on adoption of the most economically sustainable management practices for their area. The Ministry contributes to this goal by providing appropriate support through programs such as the Canadian Agricultural Income Stabilization Program, crop insurance*, drought preparedness and disaster recovery initiatives.

* Crop insurance programs are designed to be actuarially sound over a 20-year time frame. Crop insurance program expenses are offset by projected premium contributions from the federal government and producers. These contributions are reported in the budgets for "Transfers from Government of Canada" and "Premiums, Fees and Licenses", in the Ministry Statement of Operations.

To achieve this goal the ministry will incorporate the objectives of the business risk management chapter of the Agricultural Policy Framework into appropriate division operating plans.

Strategies

- Stabilize farm income by providing Alberta farmers with effective and efficient business risk management programs.
- Ensure business risk management programs are delivered effectively and have the flexibility to meet producer needs.
- Through the Agricultural Policy Framework process, implement enhancements to business risk management programs to better respond to changing global market influences.
- Respond to issues resulting from recurring drought by continuing to administer the Agriculture Drought Risk Management Plan.
- Facilitate the development of business interruption insurance for agriculture.

Performance Measures	Last Actual	Target 2004-05**	Target 2005-06	Target 2006-07
Percentage of primary producers surveyed that participated in business risk management programs.	n/a	Benchmark	3.5% increase over benchmark	80%
Percentage of customers satisfied with business risk management program delivery.	n/a	Benchmark	3.5% increase over benchmark	80%

Survey to be developed. Farm population will include those operations with $50,000 annual sales and greater.

** 2004-05 is the first year that Agricultural Policy Framework business risk management programs are delivered. It will represent the benchmark year.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable 2002-03 Actual	Comparable 2003-04 Budget	Comparable 2003-04 Forecast	2004-05 Estimates	2005-06 Target	2006-07 Target
Facilitate Sustainable Industry Growth	186,619	202,196	205,073	212,095	213,850	219,764
Enhance Rural Sustainability	45,305	43,034	43,433	42,015	42,010	42,072
Strengthen Business Risk Management	1,447,991	624,630	1,427,195	707,212	818,161	815,045
Restricted Expense	149,925	-	-	-	-	-
MINISTRY EXPENSE	1,829,840	869,860	1,675,701	961,322	1,074,021	1,076,881

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable 2002-03 Actual	Comparable 2003-04 Budget	Comparable 2003-04 Forecast	2004-05 Estimates	2005-06 Target	2006-07 Target
REVENUE						
Internal Government Transfers	16,620	16,620	16,620	16,620	16,620	16,620
Transfers from Government of Canada	415,916	169,112	622,969	286,298	305,890	298,867
Investment Income	101,484	90,503	85,275	84,520	89,271	93,823
Premiums, Fees and Licences	109,244	165,887	147,667	154,539	195,464	195,487
Other Revenue	267,258	6,813	15,708	7,312	7,352	7,391
MINISTRY REVENUE	910,522	448,935	888,239	549,289	614,597	612,188
EXPENSE						
Program						
Farm Income Support	564,951	132,333	1,046,239	253,817	253,868	249,091
Lending	28,661	33,128	30,182	33,540	34,926	36,227
Insurance*	876,950	487,542	373,277	447,130	558,034	559,655
Planning and Competitiveness	38,779	39,036	44,819	39,230	39,230	39,415
Industry Development	42,549	41,348	53,189	49,404	44,014	44,064
Sustainable Agriculture	32,882	31,553	36,199	38,894	38,944	38,978
Infrastructure Assistance	26,988	25,800	18,500	24,000	24,000	24,000
Restricted Expense	149,925	-	-	-	-	-
Ministry Support Services	17,773	17,642	20,289	18,536	18,423	18,343
Valuation Adjustments and Other Provisions	3,185	5,626	4,975	4,144	3,968	3,626
Program Expense	1,782,643	814,008	1,627,669	908,695	1,015,407	1,013,399
Debt Servicing Costs						
Agriculture Financial Services Corporation	47,197	55,852	48,032	52,627	58,614	63,482
Ministry Debt Servicing Costs	47,197	55,852	48,032	52,627	58,614	63,482
MINISTRY EXPENSE	1,829,840	869,860	1,675,701	961,322	1,074,021	1,076,881
Gain (Loss) on Disposal and Write Down of Capital Assets	(288)	-	-	-	-	-
NET OPERATING RESULT	(919,606)	(420,925)	(787,462)	(412,033)	(459,424)	(464,693)

* Reference note incorporated in the Goal 5 "What It Means" section.

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2002-03 Actual	Comparable 2003-04 Budget	Comparable 2003-04 Forecast	2004-05 Estimates	2005-06 Target	2006-07 Target
Ministry Revenue	910,522	448,935	888,239	549,289	614,597	612,188
Inter-ministry consolidation adjustments	(16,620)	(16,620)	(16,620)	(16,620)	(16,620)	(16,620)
Consolidated Revenue	893,902	432,315	871,619	532,669	597,977	595,568
Ministry Program Expense	1,782,643	814,008	1,627,669	908,695	1,015,407	1,013,399
Inter-ministry consolidation adjustments	-	-	-	-	-	-
Consolidated Program Expense	**1,782,643**	**814,008**	**1,627,669**	**908,695**	**1,015,407**	**1,013,399**
Ministry Debt Servicing Costs	47,197	55,852	48,032	52,627	58,614	63,482
Consolidated Expense	1,829,840	869,860	1,675,701	961,322	1,074,021	1,076,881
Gain (Loss) on Disposal and Write Down of Capital Assets	(288)	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(936,226)	(437,545)	(804,082)	(428,653)	(476,044)	(481,313)